

MINUTES OF THE  
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE  
MONDAY, FEBRUARY 16, 2004, 1:00 P.M.  
Room 223, State Capitol Building

Members Present: Sen. David Gladwell, Co-Chair  
Rep. Bradley T. Johnson, Co-Chair  
Sen. Bill Hickman  
Sen. Peter Knudson  
Sen. Ron Allen  
Rep. Katherine M. Bryson  
Rep. Margaret Dayton  
Rep. Brad Dee  
Rep. Kory M. Holdaway  
Rep. Gregory H. Hughes  
Rep. Patricia W. Jones  
Rep. Susan Lawrence  
Rep. LaWanna "Lou" Shurtliff  
Rep. Stephen H. Urquhart

Staff Present: Boyd A. Garriott, Senior Legislative Fiscal Analyst  
Debra Headden, Legislative Fiscal Analyst  
Rolayne Day, Secretary

Public Speakers Present: Commissioner Richard Kendell  
Trent Kemp, Studentbody President SLCC  
Kyle Paul, Studentbody President, WSU

A list of visitors and a copy of handouts are filed with the committee minutes.

Committee Co-Chair Johnson called the meeting to order at 1:00 p.m.

1. Budget Discussions for the Utah System of Higher Education—Commissioner Richard Kendell acknowledged that the alternative plan voted upon by the Committee was put on the table to address some of the long-standing needs of higher education. However, focusing on reimbursed overhead as a source of revenue creates some real problem. Reimbursed overhead is at the heart of the State's economic engine. Another issue is the funding of remedial education. He asked that the Legislature give them a year to make it work rather than just summarily dropping students in remedial education.

Commissioner Kendell discussed several policy issues that he feels need to be addressed including: Will future students receive support? If there is no future funding, does that imply the need to limit higher educational opportunities? Should tuition be the principle source of revenue for higher education and what are the limits before significant numbers of students can no longer afford higher education? The Alternate I funding plan implies that second tier tuition increases are a revenue source to fund new students, but higher education's intent has been to use it to enhance the quality of the educational experience for current students. Is research and development a priority? Is the state overextended regarding higher education? Do we need to limit institutional growth? Are there too many colleges? Universities? What are we going to do with the growing UCAT system? Do we need to find a new way of dealing with UCAT? What is the relative priority of higher education in the longer-term budget outlook?

Commissioner Kendell proposed and discussed a Regent priority plan (handout). Compensation is the first priority, even if nothing else can be done. After compensation, priorities are: (1) Keep the first tier tuition as approved by the Board of Regents; (2) If there is no additional money, let presidents and boards of trustees manage their budgets; (3) If there is new money, it should be divided into two parts, half for unfunded growth and half to the committee's

"hot spots"; (4) Tier two tuition ranges should remain as outlined by the Board of Regents; and (5) Graduate students will be affected by tuition increases as proposed. Further increases should be reviewed and recommended by the affected institutions. They would like time to study and bring back a proposal that makes sense.

Comments and discussion were heard from Sen. Hickman and Reps. Bryson and Hughes. SLCC Studentbody president Trent Kemp spoke in support of the Regents' plan. He feels the proposal that passed last week is detrimental to the process and to the presidents. Kyle Paul, WSU studentbody president, said the studentbody presidents do not support a lowered tuition because they know tuition increases will go toward students' needs.

Co-chair Johnson asked members of the Committee to vote on whether they would like to hear more from the presidents. All senators voted nay, and the question failed.

**MOTION:** Sen. Gladwell moved that the Higher Education Appropriations Subcommittee change the priority list to the top four items to be submitted to the Executive Appropriations Committee as follows:

1. Half the new state funding received will be used to fund enrollment growth;
2. Full funding for the following: Utah Education Network, Student Financial Aid, and the Climate Center; and
3. If there are any other funds received, the balance will be proportionately allocated to the remaining priority items on the list.

Questions and comments were heard from Reps. Holdaway, Johnson, Jones, and Shurtliff. Sen. Gladwell explained that the motion is for new money only. The previously passed priority list only covers about one-third of the enrollment growth needed.

The motion passed unanimously.

**MOTION:** Sen. Knudson moved to grant the institutions of higher education the full flexibility in the use of the money identified in Alternative I adopted by the Higher Education Appropriations Subcommittee. However, the amount identified in the revenue source shall be the value used to offset future funding considerations for fuel and power, operations and maintenance of new facilities, and enrollment funded target computations.

Rep. Dayton spoke in favor of the motion. Discussion and questions were heard from Reps. Johnson, Holdaway, Lawrence, and Shurtliff.

**SUBSTITUTE MOTION:** Rep. Holdaway moved to suspend the rules to allow the Board of Regents to speak to the motion.

**POINT OF ORDER:** Rep. Urquhart pointed out that the rules cannot be suspended in committee.

Co-chair Johnson ruled the substitute motion out of order.

The original motion was withdrawn.

Commissioner Kendell said relying on reimbursed overhead as a source of revenue to address fuel and power or O&M is not a good choice. Most, if not all, of the reimbursed overhead is encumbered and cannot be redistributed. He asked if the intent was to dismantle some of the research facilities to pay for fuel and power. The money is locked in salaries, equipment, and bond payments. Taking the reimbursed overhead could result in default on some of the bonds.

Rep. Lawrence asked how institutions will meet pressing needs if the plan isn't the answer. Commissioner Kendell said one size doesn't fit all, and using reimbursed overhead cannot solve the budget problems. Institutions have reallocated and reorganized to balance budgets during recent cuts. They will handle the budget problems, but if the alternative plan goes forward, they don't have the necessary flexibility to manage budgets. He asked that the Committee give them whatever compensation possible, say there isn't any new money, and let the presidents go back and reallocate as necessary.

Rep. Johnson said the motion un-ties the institutions' hands and gives flexibility. Comments were heard from Reps. Holdaway and Urquhart. Rep. Dayton questioned why the analysts don't have correct numbers if they were given those numbers by higher education. Commissioner Kendell said his office was not given a chance to review the numbers. The idea that there is \$15 million in reimbursed overhead available is not true.

Analyst Boyd Garriott said the Board of Regents are required by statute to identify both the amount and the sources of reimbursed overhead. That report comes to the Analysts' Office and that is where they got the information used for the reallocation alternate plan.

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Sen. Gladwell spoke in favor of the motion. He said it recognizes the need of presidents to make decisions and gives flexibility with accountability. If the school wants to use all of their money for remedial education, they can do that at the expense of fuel and power or any of the other components of a solid structural higher education system. Rep. Johnson feels there will be approximately \$23 million in new money for compensation. The reallocation plan calls for \$6 million in new money for priorities and the co-chairs will do their best to get that money for higher education. Rep. Hughes spoke in favor of the motion. He said the Committee needs accurate information to make good decisions. If the reports don't tell the whole story, they need to be changed; he wants to know that basics like fuel and power are paid for. Further comments and questions were heard from Reps. Lawrence and Johnson. Rep. Urquhart spoke in favor of the motion. His main concern was the remedial education component. He feels it is fair to tell students that in a year or two more will be expected from them.

The motion passed unanimously.

**MOTION:** Sen. Knudson moved to adjourn.

Committee Co-Chair Johnson adjourned the meeting at 1:50 p.m.

Minutes were reported by Rolayne Day, Secretary.

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Sen. David Gladwell, Committee Co-Chair

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Rep. Bradley T. Johnson, Committee Co-Chair